

Message Text

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70

ACTION NEA-12

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 IO-14 ISO-00 EB-11

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07

PA-04 RSC-01 PRS-01 SP-03 SS-20 USIA-15 AEC-11 AID-20

CEA-02 CIEP-02 COME-00 FEA-02 FPC-01 INT-08 OMB-01

SAM-01 SCI-06 STR-08 TRSE-00 DRC-01 /237 W

----- 084510

R 161650Z APR 74

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 7407

INFO AMEMBASSY ABU DHABI

AMEMBASSY BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION GENEVA

USMISSION OECD PARIS

USMISSION USUN NEW YORK

USINT ALGIERS

USINT BAGHDAD BY POUCH

UNCLAS BEIRUT 4427

E.O. 11652: N/A

TAGS: ENRG, EAID, EFIN

SUBJECT: OPEC MEETING ON SPECIAL FUND

REF: STATE 071916

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SUMMARY: MIDDLE EAST ECONOMIC SURVEY (MEES) REPORTS THAT

OPEC SPECIAL FUND PROPOSAL "FAILED TO GENERATE VERY MUCH ENTHUSIASM AMONG THE MAJORITY OF OPEC MEMBERS; AND ITS FUTURE PROSPECTS - EVEN IF IT MANAGES TO SECURE RATIFICATION BY THE NECESSARY SEVEN STATES - MUST BE REGARDED AS RATHER DOUBTFUL". MEES LISTED ONLY IRAN, ALGERIA, LIBYA AND VENEZUELA AS READY TO PARTICIPATE IMMEDIATELY. OF REMAINING NINE, IT LISTED FIVE MIDDLE EAST ARAB STATES AND INDONESIA AS NOT INTERESTED IN PARTICIPATION NOW, NOTING THAT THIS GROUP INCLUDES OPEC MEMBERS WITH LARGEST PROPECTIVE MONETARY SURPLUSES. MEES SAID MIDDLE EAST ARAB RELUCTANCE LARGELY DUE TO PREFERENCE FOR USING AID CHANNELS CLOSER TO HOME AND TO FACT THAT FUND IS AN IRANIAN INITIATIVE. SAUDI ARABIA SAID TO PREFER PRICE REDUCTIONS AND TO VIEW FUND AS TACTICAL MOVE BY "PRICE HAWKS" TO DEFUSE OIL PRICE CONTROVERSY BEFORE SPECIAL UN SESSION ON RAW MATERIALS. END SUMMARY.

1. IN LEAD ARTICLE APRIL 12 BY NEWS EDITOR IRN SEYMOUR, USUALLY WELL-INFORMED MEES LISTED OPEC GOVERNMENT ATTITUDES TOWARD OPEC SPECIAL FUND AS EXPRESSED AT APRIL 7 MEETING IN GENEVA AS FOLLOWS: IRAN: PREPARED PARTICIPATE IMMEDIATELY WITH INITIAL PLEDGE OF \$150 MILLION ANNUALLY. ACCORDING AMOUZEGAR, THIS WOULD COME OUT OF \$1 BILLION IRAN HAS EARMARKED FOR AID AND IS EQUIVALENT TO ONE PERCENT OF IRANIAN OIL INCOME FOR 1974. HE SAID THIS SHOULD BE EXAMPLE FOR ADVANCED INDUSTRIALIZED COUNTRIES WHOSE LDC AID NOW FAR SHORT OF ONE PERCENT OF THEIR INCOMES. ALGERIA, LIBYA, VENEZUELA: READY TO PARTICIPATE IMMEDIATELY, NO DETAILS GIVEN. ECUADOR AND GABON: WILLING TO JOIN BUT ACTUAL FINANCIAL CONTRIBUTIONS WOULD BE NOMINAL DUE THEIR LIMITED INCOME. NIGERIA: APPARENTLY INDICATED SOME INCLINATION TOWARDS PARTICIPATION BUT WISHES TO STUDY IDEA FURTHER, RESERVES DECISION UNTIL IDEA IN FINAL FORM. SAUDI ARABIA: A TOP SOURCE TOLD MEES: "SAUDI ARABIA WELCOMES ESTABLISHMENT OF OPEC FUND. HOWEVER, THIS WILL NOT SOLVE PROBLEM OF DAMAGE CAUSED ECONOMIES OF THE DEVELOPING COUNTRIES BY HUGE PRICE INCREASES OF JANUARY AND SHOULD NOT BE REGARDED AS A SUBSTITUTE FOR POSITIVE ACTION TOWARD LOWERING THESE PRICES. UNCLASSIFIED

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FOR ITS PART, SAUDI ARABIA IS ALREADY DOING MUCH TO HELP THE DEVELOPING COUNTRIES AND WILL DO GREAT DEAL MORE IN FUTURE THROUGH VARIOUS CHANNELS. THIS OPEC FUND COULD BE ONE OF THEM, BUT WE ARE NOT INTERESTED IN PARTICIPATING IN IT JUST NOW". ACCORDING MEES, SAUDIS PREOCCUPIED WITH RETAINING "SOME SAY" OVER MONEY CHanneled THROUGH SUPRANATIONAL BODIES AND "MAY WELL DECIDE TO LEAD SIZEABLE SUMS" TO IMP AND WORLD BANK "PROVIDED THAT IT CAN RETAIN

ULTIMATE CONTROL OVER DISPOSAL OF FUNDS IN QUESTION".
KUWAIT: RESPONSIBLE SOURCE TOLD MEES KUWAIT ALREADY INVOLVED IN SO MANY LARGE-SCALE AID PROJECTS IT WISHES TO REVIEW PRESENT AND FUTURE AID COMMITMENTS. KUWAIT THEREFORE COULD NOT PARTICIPATE NOW BUT PARTICIPATION REMAINS FUTURE POSSIBILITY. SOURCE NOTED THAT KUWAIT RECENTLY INCREASED ITS FUNDS FOR ARAB ECONOMIC DEVELOPMENT TO \$3.4 BILLION, DECLARED NON-ARABS ELIGIBLE FOR LOANS AND IS PARTICIPATING IN THREE OTHER ARAB OR ISLAMIC FUNDS. IRAQ: RELATIONSHIP BETWEEN OIL PRODUCERS AND NON-OIL LDC'S SHOULD BE PART OF NEW WORLD ECONOMIC ORDER WHICH WOULD RIGHT IMBALANCE BETWEEN INDUSTRIAL COUNTRIES AND THIRD WORLD. IRAQ HOPES SPECIAL UN SESSION WILL TAKE UP THESE PROBLEMS AND IRAQ WILL HAVE SPECIFIC PROPOSALS TO MAKE THERE. IRAQ WILL AWAIT OUTCOME OF SPECIAL SESSION WITH REGARD TO CHANGES IN INTERNATIONAL ECONOMIC AND MONETARY SYSTEM BEFORE COMMITTING ITSELF ON OPEC FUND. ABU DHABI, QATAR, INDONESIA: MADE IT CLEAR THEY WELCOME FUND BUT WOULD NOT PARTICIPATE AT PRESENT.

2. IRAN'S AMOUZEGAR TOLD MEES IT INTENDED THAT FUND WOULD GRANT SOFT LOANS ON CONCESSIONARY TERMS FOR 25-30 YEARS, NOTING THAT WHILE PURPOSE IS AID FOR DEVELOPMENT PROJECTS INITIAL LOANS PROBABLY WOULD TAKE FORM OF STRAIGHT BLANCE OF PAYMENTS SUPPORT. MEES UNDERSTANDS THAT OPEC SECRETARIAT ASSIGNED TASK OF DRAFTING FUND STATUTES FOR CIRCULATION AMONG MEMBERS IN PREPARATION FOR FOUNDING MEETING BUT THAT FUND WOULD USE EXISTING ADMINISTRATIVE MACHINERY OF WORLD BANK AND REGIONAL AFFILIATES RATHER THAN NEW STAFF OF ITS OWN.
GODLEY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, ECONOMIC DEVELOPMENT, LESS DEVELOPED COUNTRIES, PETROLEUM, PRICES, DEVELOPMENT LOANS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BEIRUT04427
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740087-1123
From: BEIRUT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740441/aaaabkjt.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: STATE 071916
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 04 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 SEP 2002 by BryanSD>; APPROVED <26 DEC 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPEC MEETING ON SPECIAL FUND
TAGS: ENRG, EAID, EFIN, OPEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005